

Digital Thought Leaders

Jim Sterne

CEO

Targeted Marketing

[Contents](#) | [Potential](#) [Challenges](#) [Suggestions](#) [Actions](#) [Resources](#)

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Making sense of a digital world

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Speed read

There’s a vast potential for harnessing web analytics, but most firms fail to tap into it and many are not even aware of its existence

Tracking what has happened is only part of the benefit, the real power is unlocked when you experiment with elements of the website to see how this improves performance

The classic direct marketing skills of testing, measuring and refining provide a roadmap for daily best practice

Website analytics as a discipline is heading towards the heart of business decision making

The applications of website analytics can stretch well beyond the online elements of the business

Seeing the potential

“The potential for wisdom is huge. You can collect information that gives you real understanding of how your business is working, you can spot the very points that will make vast differences to your bottom line. It’s great stuff, but it’s not simple.”

Jim Sterne is in London on a whirlwind, web-enabled tour. His diary has been planned, tested, optimized, linked and is now booked out. We meet for a breakfast of eggs and mushrooms in a café just off Oxford Street on a crisp weekend morning. Thanks to Google Earth there’s no problems finding the place “well, how else would you get anywhere” says Sterne, closing his cell-enabled Sony Vaio even before the coffee order’s been taken. And that’s what it’s all about: how the web’s woven itself into the fabric of our daily lives.

Yet for web analytics this is still to happen, and that’s why he’s here. Every marketing savvy firm has a website, but that doesn’t mean they’re getting the most out of it: “without solid web analytics you’ll simply never be able to unlock the returns on that huge investment you’ve already made”, says Sterne. “The focus of any business can be boiled down to increase sales, lower costs or increasing customer satisfaction. Web analytics can be plugged into all three”.

Why get excited about another wave of digital toolkits?

The simple question is whether the return is worth it, and the great thing about web analytics is not only is the return there, but it’s immediate and transparent. And it would be a unique website that couldn’t find ways to improve. Use it to lift the lid on what’s really happening inside your own website and you’ll find anomalies straight away. Fix those and your conversion rates rise; it’s that simple. But for the new breed of analysts, this is just the start. The real power is in the fusion with the direct marketing discipline and its long legacy of testing, measuring and refining. Accountable marketing is back in vogue, and web analytics is the way to unlock that accountability.

“It’s the ability to experiment that gets me really excited”, explains Sterne. “The people who understand web analytics first are the direct marketers. These guys get it. This is the familiar ground of AB split-run testing”. But on the web the feedback cycle is so much shorter “instead of having to rely on people who’ve built up decades of intuition, you can test instantly, see the results, and change what you do. The marketer’s role is all about being able to test and respond, and that means there’s a new dialogue between the creative teams and the web marketers. Once you’re comfortable with the principles why confine yourself to an old AB test?”

Try an ABCDEFG test! Use multivariate models and testing to figure out what's the best return for all possible combinations".

This means marketers can test further and deeper than in the traditional world. And the immediacy of the web means this can be done in real time. With some digital retailers getting statistically valid samples of responses back in minutes, it's clear that web analytics can be used to drive the business process.

The management challenge

Sterne admits that there are real issues around change management, probably part of the reason why most firms haven't yet exploited the power of web analytics. "Many senior managers know they need to do web analytics, but they're still able to hold back from starting because there are so many other – apparently more urgent – distractions within their digital business. The result is that firms who do it end up with a huge competitive advantage".

With the digital industry showing no signs of slowing down, this is a cutting observation, but Sterne goes further: "Maybe only the best run companies can do this, because only they have the time and the resources to not only deploy the technology, but to feed what you learn back into the system".

Who's driving web analytics inside the firm?

Here's the nub of the problem: normally there's no one. And when there is, it's rarely top down. Sterne is conscious that the foot soldiers of web marketing are seeing the potential, but communicating it up to the firm's generals can be a desperately painful task. "Normally it's a bottom up process, the small guys who are at the coalface of web marketing can see how change can be made, and the insights the tools will give them. If they're given the chance to pitch to the senior management then things can happen". All this implies there's a massive

education process ahead for the web analytics industry. It's a path that may be easier thanks to the trailblazers in digital retail and digital advertising, but it's still a path that requires a change in the behaviour of both individuals and their firms. In spite of the paradox that web analytics brings an automatic ROI, in general, senior management are simply not ready to own it yet.

“Tips for web analysts not getting the message through? Change the name of the department from web analytics to the ‘web optimization team’. Shame on us for calling ourselves analysts and not optimizers”

Knowing when to stop

For the convert, analytics can be compulsive. You start scratching at the surface and it yields a little. Scratch some more, you go deeper. Quite when to stop digging is a challenge the advanced web analytics engineers are now facing. Sterne explains why:

“The biggest issue is at what point you reach diminishing returns. If you're a small firm you can get Google's analytics tools for free. There's still a cost involved because it's time from your team, but the software itself has no price-tag. If all you're measuring is visits and pages then this is a good approach. But dig deeper and you'll want to know more: exploring the different metrics, testing, reworking them, experimenting, it all improves your results, but you have to measure the wider business ROI. If you're a small consumer store and all you're getting are a couple of extra orders, then it's probably not time well spent. If you're a big online brand, then increasing your conversion rates by a fraction of a percent may be putting millions into the bank”.

“This is the era of the guys in the lab coats rather than the funky creatives with the goatees”

Because there's no limit to what can be tested, it's important to know when and how to draw the line. But with many sites still suffering from bloated architecture supported by weak navigation, it's no surprise that the returns can be large. In classic marketing this is about the customer's journey. In the past the ability to build strong journeys has rested on the intuition of marketers, but analytics unlocks an accurate window into each step on the way; dissecting the process and leading the analysts to scientific conclusions. “This is the era of the guys in the lab coats rather than the funky creatives with the goatees”, jokes Sterne.



Jim Sterne

Sterne focuses his twenty years in sales and marketing on the changing landscape of the web as a medium for creating and strengthening customer relationships. Today his main focus is on web metrics and how they can unlock commercial value.

He is the recipient of the 1999 Tenagra Award for Internet Marketing for Excellence for Individual Contribution to Internet Marketing.

Sterne was named one of the 50 most influential people in digital marketing by Revolution, the United Kingdom's premier interactive marketing magazine.

The godfather of web analytics

Web analytics is another new kid in the digital family. Sterne has been dubbed its 'godfather' but laughs it off, "I wasn't there at the birth - and I certainly had nothing to do with the conception - but I'm fond of this kid and am keen to help in the upbringing".

Where analytics is heading

Looking into the next five years, Sterne is conscious that the possibilities are more in the realms of science fiction than the heritage of marketing. "We're measuring human behaviour. We have the heavy lifting tools to segment markets and apply more insights than marketers have ever had in the past. Google Analytics is free so Google is collecting all this behavioural information about all of those websites. They're gaining a knowledge no one's ever had before. Similarly Ebay knows the value of everything - not just the price, but the actual value a worldwide market will pay. How could these firms really unlock that insight? What's clear is it goes way beyond consumer searches and auctions.

"The opportunities are wild"

The opportunities are wild. Think of a website that responds to you based on how you entered the site, what you did on the landing page and what you clicked on. Fly through a few more pages or become a regular visitor and they'll know a great deal. They'll be able to serve you up messages and offers so relevant and targeted that you'll just *have* to respond. Integrate this with your customer relationship management (CRM) tool and you'll have an even greater conversion. And all that before you start combining with third parties beyond the walled garden of your site".

Digital Jargon Buster

Web metrics Sizing the competitive web market and the general internet audience. This is the macro-economic picture of internet use, covering topics such as connections, demographics and time online. In the early 90s these wider market metrics were exceptionally popular, often helping firms justify their investment in the web. Key variables include the proportion of the population that has access, which sites they go to and what they do.

Web analytics Also *Web commercial optimization* What's happening inside a single website. This business discipline covers extracting business insight from customer behaviour data, and using this to optimize the website's commercial performance. Web analytics is a rapidly growing discipline and is increasingly core to unlocking the value of the investment a firm has already committed to web development.

Sterne suggestions

Here are a few of Jim Sterne's tips for how different sectors can apply web analytics. Whether improving the way the business faces its customers, or sharpening up the performance of its staff, web analytics is a powerful ally.

For media businesses

Look at your website analytics for instant market research. Find out who's following which stories, characters, programmes or shows. Web analytics is giving you a window into the hearts and minds of the public. Smart firms like CBS are already doing this. They monitor where the audience interest is and then change the order of stories on their websites to match. Their director of online news used to take the top story from the television bulletin and make that the top feature online, but now they let the audience decide by viewing the traffic to each story and letting that influence their decision about priorities in the news agenda. Why not go a step further and completely change the terms of reference: take your highest rated topics online, and use those to drive the offline business?

For digital retailers

Test your messaging. Start with a simple A/B split test with two promotional offers, such as a buy-one-get-one-free and a two-for-the-price-of-one. It's the same offer, the same financial impact, the same deal; yet there's bound to be a difference in take-up. Find out which message draws better for your customers. Find that answer and you have the answer to what to run in your print ads, your outdoor even your point-of-sale in-store promotions. And if you can test like this, then you can do it for anything from your next brand slogan to your packaging and design.

For customer service groups

Here you're probably striving for cost savings. Every time customers go to a frequently asked question, they're not calling you on the phone. Test your navigation as well as your content. Get the analytics right and you unlock huge cost savings. But remember, having a website will instigate new types of calls to the call centre. You start getting calls that are really about website directory assistance, so look to recruit people with the right sort of skills to deal with those - information and librarian skills rather than skills relating to your own products. One great trick is to set about measuring customer satisfaction itself: for every 'nth' person who arrives, present them with a pop-up message on entry 'What are you looking to achieve?' and then when they exit ask them if they achieved it.

For improving your staff's productivity

Web analytics can be applied to intranets just as successfully as customer-facing websites. Optimizing business processes is a well-trodden path, but few management teams are using web analytics as the tool to unlock insights into team performance. This could be anything from helping a new recruit learn about the organization, to the delivery of product information to a field salesforce. Over time software ends up having a web interface because browsers are the best way to access software. So any application your firm has can be opened up for optimization. There's a layer of management information you can extract that will tell you how they're using the system. For a salesforce that might be the stats for access to callsheets or the depth of information they're building on each contact, for a product tester it could be the types of faults or the items needing the most validation. The process can even unlock such simple insights as to whether your staff respond better to having one long form or two shorter ones with a 'continue' button to link them.

Actions

Review your current web analytics

Review how you apply the knowledge you get from it

Ask your vendor about the ways other firms have harnessed it

Ask your team how the insights are applied back into the business

Work as a group to select the right metrics to track

Resources & Links

Targeting.com – Home of Jim Sterne's firm **Targeted Marketing**

webanalyticsassociation.org - the new association Sterne helped launch to shape the future of web analytics

DigitalStrategyConsulting.com/thoughtleaders

Email us to sign up for the email edition of Digital Thought Leaders

DigitalStrategyConsulting.com/jargonbuster - for busting through any new jargon you've met here

Digital Book Club

Books by Jim Sterne are available from Digital's bookstore. They include:

- **Web Metrics - Proven Methods for Measuring Web Site Success**
- **Customer Service on the Internet - Customer Support, Direct Marketing, and Up-Selling**
- **Email Marketing - Using Email to Reach Your Target Audience and Build Customer Relationships**

Training and Development from Digital Strategy

If your firm wants to harness the power of web analytics, then why not talk to the team here at Digital? Our network of senior associates can deliver the hands-on expertise you need to convert all of that data into meaningful business intelligence. We can work with you to build simple tools that will allow you to use these new insights to improve your customer conversion rates and unlock more of the value from the digital channel investments you've already made. Our services range from executive briefings for boardroom colleagues to hands on workshops for data analysts and marketing managers.

About the author

Danny Meadows-Klue has been a commentator on the digital networked industries since 1995. He managed the UK's first online newspaper and has helped run web businesses ranging from mass market portals and consumer magazines, to online stores, search and email services. Among his industry roles he is the co-founder and former chairman of the UK and European Internet and Interactive Advertising Bureau, and has been lecturing on digital marketing for more than a decade. He set up Digital Strategy Consulting in 2000 to help firms accelerate their own digital networked media strategies.



About Digital Thought Leaders series

In times of huge economic and social change, knowledge becomes a critical success factor. We created the Digital Thought Leaders interviews to bring you closer to people and brands shaping the digital networked economy. They are based on private interviews or lectures we've participated in, and are published monthly. We also publish similar insight papers to accompany our own talks and training workshops, to unlock the potential of your team.



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